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FRANCIS LORENZEN, C.A., B. COM.
DAVID LESONSKY, C.A.

November 23, 1962

Mr. Lancelot J. Smith, F.C.A.
Gunn, Roberts & Co.
48 Yonge Street
Toronto 1, Ontario

Dear Lance: Re Ontario Committee on Taxation

Congratulations! I think that everyone who knows you will join me in this.

Enclosed is a copy of some suggestions made to the Canadian Chamber Tax Committee, in which you might be interested.

There are a thousand things the Government could do to ensure the "fullest economy in the provision of services". But you are, no doubt, as fully aware of them as I am. One thing I might mention would be a simple thing like the elimination of The Provincial Companies Acts, and the acceptance by the Provinces of The Federal Companies Act, with right of the companies to own property, etc. This would eliminate an enormous amount of redtape wholly unproductive. With the improvement of mail delivery over 150 years ago, there is no necessity for regional offices or any differences.

There is no doubt that the same plan could be followed with most other departments dealing with business.

See you at the Tax Conference.

With kind regards.

Sincerely,

FRANCIS LORENZEN.
FL:es
encl.

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No: I-2-10

November 14, 1962.

Mr. S.H. Sutherland, Economist,
Ford Motor Company of Canada Limited,
Box 20,
Oakville, Ontario.

Re: Tax Utopia

Dear Jack:

Herewith is a major proposal in the taxation field for your Committee to consider.

Businessmen are today inundated in the multiplicity of demands, regulations, audits, re-assessments, etc., arising from the multiple impact of Federal, Provincial and Municipal sales and excise and income taxes. While larger companies are able to afford persons skilled in the determination of these taxes, even the largest are by no means free from harassment by improperly written or improperly understood legislation; the misunderstandings arising both on the part of the individual assessors or tax auditors as well as the businessmen.

While the proposal is radical, it should not be beyond the mental powers of our tax experts to find answers to the majority of the problems which will arise in connection with its administration, and the only real problem would be to persuade the legislators that some useful work can be found for the thousands of civil servants who are done out of their jobs and for their counterparts in industry.

I propose one tax return for all Federal, Provincial and Municipal sales and excise taxes and income taxes, to be collected by the Federal Government, using a consolidation of forms which are already in existence but on a vastly more detailed and cumbersome basis. The returns would provide for a percentage of taxable retail sales, a percentage of wages, and a percentage of net taxable income, all of which figures are, or should be, readily available from the accounting records, which are now supposedly kept by businesses large and small. These rates would include sufficient to provide the revenue now obtained through all of the Federal, Provincial and Municipal income, sales and excise taxes, except such taxes on imports, and also including prepayment of withholding taxes on wages onnon-residents' income, dividends and rents, payment of Unemployment Insurance tax and Workmen's Compensation. The whole of the tax so determined should be paid in monthly instalments on account, corrected by an Annual Return, and would be deductible as any other expense of doing business in Canada. That might well require the raising of income tax rates to compensate for its deductibility on a regular accrual basis, but the adjustment of the wholesale, sales and excise (Federal) to a retail tax would require a much lower rate.

November 14, 1952.

Mr. S.H. Hobberlord, Economist,
Ford Motor Company of Canada Limited,
Box 20,
Oakville, Ontario.

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Dear Jack:

Herewith is a major proposal in the taxation field for your Committee to consider.

Businessmen are today inundated in the multiplicity of demands, regulations, audits, re-assessments, etc., arising from the multiple impacts of Federal, Provincial and municipal rules and excise and income taxes. While large companies are able to afford persons skilled in the determination of these taxes, even the largest are by no means free from harassment by improperly written or improperly understood legislation; the misunderstandings arising both on the part of the individual assessors or tax auditors as well as the businessmen.

While the proposal is radical, it should not be beyond the mental powers of our tax experts to find answers to the majority of the problems which arise in connection with its administration, and the only real problem would be to persuade the legislators that some useful work can be found for the thousands of civil servants who are done out of their jobs and for their counterparts in industry.

I propose one tax return for all Federal, Provincial and Municipal sales and excise taxes and income taxes, to be collected by the Federal Government, using a consolidation of forms which are already in existence but on a vastly more detailed and comprehensive basis. The returns would provide for a percentage of taxable income, a percentage of wages, and a percentage of net taxable income, all of which figures are, or should be, readily available from the accounting records, which are now supposedly kept by businesses large and small. These rates would include sufficient to provide the revenue now obtained through all of the Federal, Provincial and Municipal income, sales and excise taxes, except such taxes on imports, and also including prepayment of withholding taxes on wages under-realized income, dividends and rents, payment of Unemployment Insurance tax and Workmen's Compensation. The whole of the tax so determined should be paid in monthly instalments on account, corrected by an Annual Return, and would be deductible as any other expense of doing business in Canada. That might well require the raising of income tax rates to compensate for its deductibility on a regular annual basis, but the adjustment of the specific sales and excise (Federal) to a total tax would require a much lower rate.

To consider how it would affect, probably, the worst example, take a small hardware store in the City of Montreal. I am not sure, but I assume that the employees of that store are covered under the Quebec Workmen's Compensation Act as they are in Ontario. The present multiplicity of sales and excise tax acts requires a determination and segregation in the accounts of taxable and non-taxable sales for both Municipal, Provincial and Federal tax. It is a relatively simple accounting problem to recap these and calculate the tax in total than to have to calculate it on each individual transaction. Many of the problems of end-use refund would be eliminated as the retailer would be in most cases dealing with the consumer. It would be necessary to have to be separate calculations of tax for the three (or more) sales tax jurisdictions but there need be only one remittance, supported by the final analysis.

The Federal Government would act as an agent for the separate jurisdictions concerned and, if the B.N.A. Act intervened, it would simply make a grant of an equivalent amount which would, in reality, be collected on behalf of the Province, etc.

Withholding tax for individuals with different exemptions, etc., payments of Unemployment Insurance and Workmen's Compensation, would similarly be treated by a relatively simple accounting recap supported by a copy of the payroll, suitably broken down. Each employee, whether covered by Unemployment Insurance or not, would bear a number and preferably also, for purposes of the original registration, a fingerprint.

One set of forms, one remittance, no individual half-cent calculations, with hundreds of thousands of individual calculations eliminated, and one set of auditors, and with the tabulating equipment now available to the Department of National Revenue, the recapping of the weekly or monthly Unemployment Insurance payments could be back in the hands of the local Unemployment Insurance offices for claim administration within forty-eight hours.

To avoid embarrassing the Federal Government with the substantial increase in revenue and expenditure resulting from the collection of Municipal and Provincial revenues, they would simply be earmarked, directly, as in and out payments, correctly shown in the books of the Provincial and Municipal Governments concerned.

With all such taxes labelled "Income Taxes", they are, after all, a tax on income whether gross, net, or wages (income of employees), they fit easily within the scope of the Canada-U.S. Tax Convention and assist in avoiding the difficulties now met with in cross-border work because of the non-deductibility of Municipal and Provincial income and sales and excise taxes from the income of non-residents, and thus remove a further obstacle to investment in Canada by such people and companies.

Yours sincerely,

FRANCIS LORENZEN.